

HOUSE BILL NO. 300

INTRODUCED BY P. INGRAHAM

A BILL FOR AN ACT ENTITLED: "AN ACT PROGRESSIVELY INCREASING THE AMOUNT THAT AN ACCOUNT HOLDER MAY EXCLUDE FROM MONTANA ADJUSTED GROSS INCOME FOR CONTRIBUTIONS DEPOSITED INTO A MEDICAL SAVINGS ACCOUNT; AMENDING SECTION 15-61-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-61-202, MCA, is amended to read:

"15-61-202. Tax exemption -- conditions. (1) Except as provided in this section, the amount of principal provided for in subsection (2) contributed annually by an employee or account holder to an account and all interest or other income on that principal may be excluded from the adjusted gross income of the employee or account holder and are exempt from taxation, in accordance with 15-30-111(2)(j), as long as the principal and interest or other income is contained within the account or withdrawn only for payment of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the employee or account holder. Any part of the principal or income, or both, withdrawn from an account may not be excluded under subsection (2) and this subsection if the amount is withdrawn from the account and used for a purpose other than an eligible medical expense or the long-term care of the employee or account holder or a dependent of the employee or account holder.

(2) (a) An employee or account holder may exclude as an annual contribution in 1 year not more than ~~\$3,000~~ the amount specified for the tax year according to the following schedule:

<u>Tax year</u>	<u>Maximum exclusion allowed</u>
<u>2009</u>	<u>\$3,500</u>
<u>2010</u>	<u>\$4,000</u>
<u>2011</u>	<u>\$4,500</u>
<u>2012</u>	<u>\$5,000</u>
<u>2013</u>	<u>\$5,500</u>
<u>2014</u>	<u>\$6,000</u>

1	<u>2015</u>	<u>\$6,500</u>
2	<u>2016</u>	<u>\$7,000</u>
3	<u>2017 and subsequent tax years</u>	<u>\$7,500</u>

4 **(b)** There is no limitation on the amount of funds and interest or other income on those funds that may
5 be retained tax-free within an account.

6 (3) A deduction pursuant to 15-30-121 is not allowed to an employee or account holder for an amount
7 contributed to an account. An employee or account holder may not deduct pursuant to 15-30-121 or exclude
8 pursuant to 15-30-111 an amount representing a loss in the value of an investment contained in an account.

9 (4) An employee or account holder may in 1 year deposit into an account more than the amount excluded
10 pursuant to subsection (2) if the exemption claimed by the employee or account holder in the year does not
11 exceed ~~\$3,000~~ the amount allowed for each tax year. An employee or account holder who deposits more than
12 ~~\$3,000~~ the amount allowed for each tax year into an account ~~in a year~~ may exclude from the employee's or
13 account holder's adjusted gross income in accordance with 15-30-111(2)(j) in a subsequent year any part of
14 ~~\$3,000 per year~~ the amount deposited in a year that has not been previously excluded.

15 (5) The transfer of money in an account owned by one employee or account holder to the account of
16 another employee or account holder within the immediate family of the first employee or account holder does not
17 subject either employee or account holder to tax liability under this section. Amounts contained within the account
18 of the receiving employee or account holder are subject to the requirements and limitations provided in this
19 section.

20 (6) The employee or account holder who establishes the account is the owner of the account. An
21 employee or account holder may withdraw money in an account and deposit the money in another account with
22 a different or with the same account administrator without incurring tax liability.

23 (7) The amount of a disbursement of any assets of a medical care savings account pursuant to a filing
24 for protection under the United States Bankruptcy Code, 11 U.S.C. 101 through 1330, by an employee or account
25 holder does not subject the employee or account holder to tax liability.

26 (8) Within 30 days of being furnished proof of the death of the employee or account holder, the account
27 administrator shall distribute the principal and accumulated interest or other income in the account to the estate
28 of the employee or account holder or to a designated pay-on-death beneficiary as provided in 72-6-223."

29

30 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

1
2 NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the
3 meaning of 1-2-109, to tax years beginning after December 31, 2008.

4 - END -